

## **2007-08 Budget Highlights**

- The 2007-08 Budget as passed by the General Assembly totals approximately \$27.8 billion, representing a 6.6 percent increase over 2006-07.
- At the close of fiscal year 2008, the Rainy Day Fund will be \$750 million, its largest balance in history. Over \$207 million will be deposited in this one fiscal year.
- Highway fund dollars are being fully restored; also an additional \$15 million is added to fund maintenance and mass transit.
- The cigarette tax is increased from 20 cents by 42 cents to raise \$239 million in revenues. Two cents of the increase will provide \$9.9 million for trauma centers.

### **Tax Relief**

- Sales tax on grocery sales are reduced from six percent (6%) to five and a half percent (5.5%) on January 1, 2008.
- The grocery tax reduction will result in \$38.9 million in annual savings for Tennessee shoppers.
- A spring Sales Tax Holiday was authorized for the second year in a row and will be held in the spring of 2008.
- School art supplies will now be exempt from sales taxes during the August sales tax holiday.
- Local governments are allowed to participate in an optional property tax freeze for senior citizens.
- In tax year 2008, the income level on which elderly property tax relief can be sought will increase from \$20,000 to \$24,000.
- Property tax relief is authorized for veterans with a service-related disability rather than the previously required combat-related disability.

### **State Employees**

- This budget includes \$42.3 million for a three percent (3%) cost-of-living raise for state employees.
- There was an additional appropriation of \$23.8 million for compression.
- The Legislature included funds to change the deferred compensation match from \$40 a month to \$50 a month for state employees and higher education employees. (non-recurring)

- Classification compensation issues will be addressed with \$3.1 million for management level positions and \$75,000 for other positions.

## K-12

- K-12 teachers will receive a three percent (3%) cost of living raise.
- \$290 million are added for Basic Education Program (BEP) reform. Formula changes include greater resources for at-risk students, providing student census growth funding in the year in which it occurs, reducing the English Language Learner student teacher ratio, raising the teachers' average salary base, increasing the state's contribution level for teacher insurance and incorporating a new method of determining local contribution amounts.
- New accountability measures for local school performance were also implemented.
- The budget also reserves \$100 million to help fund year 2 costs of the new formula.
- Funding was provided for an additional 200 pre-kindergarten classrooms.
- Almost \$.5 million was added to fund three new Governor's Schools to be held at Tennessee Technological University, East Tennessee State University and Austin Peay State University.

## Higher Education

- Higher Education employees will receive \$33 million for a three percent (3%) cost-of-living raise.
- Additional higher education operating funding will keep tuition rates from exceeding six percent (6%).
- HOPE lottery scholarships – new amounts were established:

### **HOPE Scholarships**

	<b>FY07-08</b>
HOPE - 4yr Inst	4,000
HOPE - 2yr Inst	2,000
ASPIRE	1,500
GA Merit Scholar	1,000
Technical Skills Grant	2,000
Access Grant - 4 Yr	2,750
Access Grant - 2 Yr	1,750

- \$8.3 million is included to continue post-Geier access and diversity initiatives.
- An additional \$13.8 million is provided for need-based financial aid awards. \$10 million is funded from interest on excess Lottery funds that are being directed to the TSAA program.

## Conservation

- \$82 million is included to purchase approximately 125,000 acres to be preserved on the northern Cumberland Plateau.

## Health Care

- The budget provides an additional \$15 million in state funds to annualize the Cover Kids program and to add dental and vision benefits.
- \$13.6 million are included to continue providing safety net services through community and faith-based clinics and federally qualified health centers.
- \$10 million is provided for a tobacco use prevention program to aid adults in quitting tobacco use and discourage youth from using it.
- A Trauma Center Fund was established and a little over \$9 million was directed to this new fund (from two cent increase in cigarette tax) to reimburse trauma centers based on the uncompensated care costs for trauma patients served.
- Approximately \$8.2 million is provided for the purchase of Tamiflu vaccines for use in the event of a pandemic influenza emergency.

## Business and Economic Development

- To keep Tennessee in the forefront on job recruitment, over 40 million new dollars were added to the Department of Economic and Community Development.
- \$72.6 million will fund an alternative fuels initiative. The initiative includes:
  - \$10 million for additional research into switch grass
  - \$3 million for research for non-biomass alternative fuel sources
  - \$8 million in agricultural incentives for farmers.
  - \$40 million to build a University of Tennessee Biofuels Center
  - \$11.6 million for the Joint Institute for Biological Sciences at Oak Ridge National Laboratory.
- \$21 million is included for agriculture enhancement grants to support diversification of the farm economy.
- \$20 million will fund community enhancement grants to support public safety activities, educational initiatives, cultural activities and community development throughout the state.
- Another \$10 million is being added to the Film and Television Production Incentive Fund.
- Another \$4.7 million is included for marketing Tennessee.
- To increase technology access and literacy, \$4.17 million is included to enhance broadband access in Tennessee.
- \$2.65 million funds housing grants for very low income elderly citizens who have special needs.
- Development District grants are being increased by \$30,000 each.

## Crime

- The budget includes over \$40 million to fund the largest anti-crime package in over a decade. Funding is provided for:
  - Increased penalty for rape of a child (Jessica's law) - \$7.6M
  - Enhanced sentencing for specified gun and gang crimes - \$24M
  - Enhanced sentencing for sexual exploitation of a minor - \$1.69M
  - Creates class of child sex predators - \$440,000
  - Increases the penalty for elder abuse - \$145,000
- The budget includes funding to establish a cyber-crime unit in TBI.
- Internet Crimes against Children Task Forces in each grand division of the state will receive \$1,050,000, and the Tennessee Association of Police Chiefs is receiving \$250,000 for an Internet Predators Awareness Campaign.
- Funding is provided to establish an additional 43 positions (32 DAs) in District Attorneys General Offices throughout the state.
- Funding is provided to establish an additional 28 positions (19 PDs) in District Public Defenders Offices throughout the state.
- Funding is provided to add an additional 88 parole officer positions to the Board of Probation and Parole to address significant caseload growth.

## Service Enhancements

- An additional 36 driver license examiners are funded.
- Human Resource Agency grants are being increased by \$30,000 each for total grants of \$120,000 each.
- Community Action Agency grants were increased \$10,000 each for a grand total of \$525,000.
- Firefighter pay supplements were increased to \$600 in fiscal year 2007-08.

## Capital Outlay

Capital projects funded in the budget include:

- \$48 million for a new library at the University of Tennessee in Chattanooga
- \$32 million for infrastructure at the University of Tennessee in Knoxville's Cherokee campus
- \$30 million for a new music building at the University of Tennessee in Knoxville
- \$17.2 million for a Blount County Center of Pellissippi State Community College
- \$35 million for expansion of the Southeast Tennessee Regional Correction Facility
- \$31.7 million for a learning resource center addition at Middle Tennessee State University
- \$13.4 million for additions and renovations at Nashville State Technical Community College
- \$18 million for technology center equipment replacement and upgrade.